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FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 9894
INFO RUEHAC/AMEMBASSY ASUNCION 5988
RUEHBO/AMEMBASSY BOGOTA 3306
RUEHBR/AMEMBASSY BRASILIA 7155
RUEHBW/AMEMBASSY BUENOS AIRES 4412
RUEHCV/AMEMBASSY CARACAS 1695
RUEHPE/AMEMBASSY LIMA 1701
RUEHMN/AMEMBASSY MONTEVIDEO 3908
RUEHQD/AMEMBASSY QUITO 4326
RUEHSG/AMEMBASSY SANTIAGO 8883
RHEHNSC/NSC WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 001877

SIPDIS

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STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: N/A
TAGS: ECON EFIN KJUS BL
SUBJECT: CENTRAL BANK SCANDAL

REF: A. LA PAZ 732

B. LA PAZ 1842

¶1. (SBU) Summary: Two MAS congressmen recently accused former government and finance ministry officials of illegally withdrawing USD 153 million from the Central Bank in October 2003, just before the fall of former President Gonzalo "Goni" Sanchez de Lozada. Prosecutor Milton Mendoza is investigating a lesser claim that the officials violated bank procedures while withdrawing USD 2.5 million from GOB slush funds; former Central Bank President Juan Antonio Morales denied the charges. While we support the GOB's attempts to crack down on corruption, it seems that "fighting corruption" may be turning into a witch-hunt that seeks to get "Goni's cronies" and undermine MAS opposition (reftels). End summary.

¶2. (SBU) In late June, two MAS congressmen, Rene Ramos and Humberto Iquiapaza, accused former government and finance ministry officials of illegally withdrawing 1.2 billion bolivianos (USD 153 million) from the Central Bank between October 13-16, 2003, just before the fall of former President Gonzalo "Goni" Sanchez de Lozada. The congressmen based their accusations on a video showing former government officials withdrawing funds. Prosecutor Milton Mendoza told Econoff on July 7 that he is investigating irregular withdrawals from the GOB slush fund maintained at the Central Bank. In December 2005, the Supreme Court and Congress withheld approval for the investigation. On May 3, 2006, the Supreme Court annulled its earlier resolution and gave Mendoza the green light.

¶3. (SBU) Mendoza said that he could not substantiate the congressmen's accusations that 1.2 billion bolivianos (USD 153 million) were withdrawn, and described the above-mentioned video as "sensationalist." Mendoza explained that his investigation was based on "other proof" that breaches of security and falsification of documents occurred in conjunction with Finance Ministry officials' withdrawal of 20 million bolivianos (USD 2.5 million) from the GOB's slush fund. (Note: In contrast, Central Bank records show the

withdrawal to be 13.8 million bolivianos (USD 1.7 million). End note.) Mendoza said the slush fund withdrawal was conducted on a bank holiday and that security was contrary to norms. He added that the money was carried away in suitcases, and that the required paperwork was not filled out at the time of the transaction. Mendoza said that he would not detain the responsible officials unless he had sufficient proof against them, des}Bb34_F~rales added that the Central Bank did not manage GOB slush funds, but was simply the depository of the Treasury Account which contained those funds.

¶ 15. (SBU) Comment: The GOB's purpose appears to be political -- to go after "Goni's cronies." Juan Antonio Morales expressed concern about the GOB's systematic destruction of respected institutions and people through false accusations. In contrast to the MAS deputies' claims, Mendoza's case against former GOB officials seems less radical and appears to be focused on proving that former GOB officials violated procedural rather than substantive norms. We support the GOB's attempts to crack down on the country's many corrupt officials, but worry that the MAS' efforts may be turning into a witch-hunt that seeks to undermine MAS opposition (reftels). End comment.

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